

State of Nevada  
Gaming Control Board

CPA MICS Compliance Checklist

Auditor's Name and Date

**PARI-MUTUEL**

Licensee \_\_\_\_\_ Review Period \_\_\_\_\_

NGC Regulation 6.090(9) requires the CPA to use "criteria established by the chairman" in determining whether a Group I licensee is in compliance with the Minimum Internal Control Standards (MICS). This checklist is to be used by the CPA in determining whether the licensee's pari-mutuel operations are in compliance with the Pari-Mutuel MICS.

Date of Inquiry	Person Interviewed	Position

Checklist Completion Notes:

- 1) Unless otherwise instructed, examine a completed document for compliance for those questions referring to records/documentation as indicated and recalculate where appropriate. Indicate (by tickmark) whether the procedures were confirmed via examination/review of documentation, through inquiry of licensee personnel or via observation of procedures. Tickmarks used are to be defined at the bottom of each page.
- 2) All "no" answers require referencing and/or comment, and should be cited as regulation violations, unless the Board Chairman has granted a MICS variation or the question requires a "no" answer for acceptability.
- 3) "(#)" refers to the Minimum Internal Control Standards for Pari-Mutuel, Version 2.

Minimum Internal Control Standard Notes

Note 1: The term "SAM" as used in these standards refers to a "self activated machine" that is used for placing wagers and includes betting kiosks.

Note 2: The term "voucher" as used in these standards refers to a printed wagering instrument that has a fixed dollar wagering value that is redeemable for cash or cash equivalents.

Note 3: A pari-mutuel book must also comply with the Race and Sports Book Minimum Internal Control Standards when not in conflict with, and if applicable to, the pari-mutuel operations.

Questions	Yes	No	N/A	Comments, W/P Reference
1. Has the licensee's written system of internal control for pari-mutuel been read prior to the completion of this checklist to obtain an understanding of the licensee's pari-mutuel operation?				
<b><u>Betting Ticket and Equipment Standards</u></b>				
2. Are all pari-mutuel wagers transacted through the pari-mutuel system? <b>(1)</b>  <b>Note:</b> In case of computer failure between the pari-mutuel book and the hub, no tickets may be manually written. <b>(1)</b>				

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3. Whenever a betting station is opened for wagering or turned over to a new writer/cashier, does the writer/cashier sign on and does the computer document the casino name, station number, the writer/cashier identifier, and the date and time? <b>(2) Verify by examination.</b>				
4. If the licensee is a "pari-mutuel only" book, are nonpari-mutuel wagers prohibited? <b>(3)</b>				
5. Upon accepting a wager, is a betting ticket created in duplicate as follows: <b>Verify by examination.</b>				
a) An original which is transacted and issued through a printer and given to the patron? <b>(4a)</b>  <b>Note:</b> This standard does not apply if a wager is placed using communications technology (see "c" below). <b>(Note to 4a)</b>				
b) A restricted copy which is recorded concurrently with the generation of the original ticket and is not accessible to race and sports book employees? <b>(4b)</b>				
c) For wagers placed using communications technology, are the wagering communications electronically recorded (separate from the computerized race and sports system) and retained for a period of 60 days? <b>(Note to 4a)</b>				
6. Upon accepting a wager, does the betting ticket created contain the following: <b>Verify by examination.</b>				
a) An alpha-numeric ticket number? <b>(5a)</b>				
b) Casino name and station number? <b>(5b)</b>				
c) Race track, race number, horse identification or event identification, as applicable? <b>(5c)</b>				
d) Type of bet(s), each bet amount, total number of bets, and total take? <b>(5d)</b>				
e) Date and time? <b>(5e)</b>				
7. If a book voids a betting ticket:				
a) Is a void designation immediately branded by the computer on the ticket? <b>(6a)</b> or				

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b) If the ticket is not branded by the computer as indicated in the preceding question, is the ticket voided manually in the computer system by inputting the ticket sequence number and then immediately writing/stamping a void designation on the original ticket? <b>(6a)</b>				
c) Are all computer and not-in-computer voids signed by the writer/cashier and the supervisor at the time of the void? <b>(6b)</b>				
d) Are not-in-computer voids prohibited or, if not-in-computer voids are permitted, are no adjustments made to gross revenue? <b>(6c) Indicate the method used.</b>				
8. Are future wagers accepted and processed in the same manner as regular wagers? <b>(7)</b>				
<b><u>Payout Standards</u></b>				
9. Prior to making a payment on a ticket/voucher or crediting the winnings to the patron's account:				
a) Does the cashier input the ticket/voucher sequence number into the cashier's terminal; <b>(8a)</b> or				
b) For account wagers, does the computer system automatically update the patron's account when the event results are posted? <b>(8b)</b>				
10. Does the system brand winning tickets/vouchers with a paid designation, the amount of the payment and date, or if a writer/cashier manually inputs the ticket/voucher sequence number into the computer, does the writer/cashier immediately write or stamp the date and a paid designation on the patron's ticket/voucher? <b>(9) Indicate the method used.</b>				
11. Is the computer incapable of authorizing payment on a ticket/voucher which has been previously paid, a voided ticket/voucher, a losing ticket, or an unissued ticket/voucher? <b>(10)</b>  <b>Note:</b> This question should be answered by testing the system, if possible.				

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12. In the case of computer failure, tickets may be paid. In those instances where a system failure has occurred and tickets are manually paid, is a log maintained which includes the date and time of the system failure, the reason for the failure, and the date and time the system is restored? <b>(11a-c)</b>				
13. Are all manually paid tickets entered into the computer system as soon as possible to verify the accuracy of the payout (this does not apply to purged, unpaid winning tickets)? <b>(12)</b>				
14. Are all manually paid tickets regraded as part of the end-of-day audit process should the computer system be inoperative? <b>(12)</b>				
15. Is supervisory approval required to access a patron's account when patron wagering, deposit or withdrawal activity has not occurred within the account for more than 180 days? <b>(13)</b>				
<b><u>Checkout Standards</u></b>				
16. Whenever the betting station is closed or the writer/cashier is replaced, does the writer/cashier sign off the computer and does the computer document the casino name, station number, the writer/cashier identifier, the date and time, and the cash balance? <b>(14) Verify by examination.</b>				
<b>Testing of the summary report is required. Select one summary report for 2 days. Test days must be in non-consecutive months. Indicate test dates selected and results of testing.</b>				
17. For each writer/cashier station is a summary report completed at the conclusion of each shift that includes the following:				
a) The computation of cash turned in for the shift and any variances between the cash turn-in and the amount that the system indicates should be in each station? <b>(15a)</b>				
b) Signature of two employees who have verified the cash turned in for the shift? <b>(15b)</b>				
<b><u>Employee Wagering</u></b>				
18. Are pari-mutuel book employees prohibited from wagering on pari-mutuel events while on duty? <b>(16)</b>  <b>Note:</b> While not on duty pari-mutuel book employees can place wagers from the customer area in the race and sports book. <b>(16)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
<b><u>Credit Accounts</u></b>				
19. If the licensee offers credit to pari-mutuel patrons, do the pari-mutuel credit procedures comply with the requirements of the Cage and Credit Minimum Internal Control Standards? <b>(35)</b>				
20. If adjustments for pari-mutuel credit are listed on the NGC tax returns, are the requirements of Regulation 6.120 also met? <b>(35)</b>				
<b><u>Computer Reports</u></b>				
<b>Note:</b> Documentation equivalent to the following must be prepared for satellite books on a "per book" basis. Wagers placed using communications technology can be included in the documentation of the central site book that accepted and recorded the patron's wager. <b>(Note before 17)</b>				
21. Is adequate documentation of all pertinent pari-mutuel information generated by the computer system? <b>(17)</b>				
22. Is the documentation restricted to authorized personnel? <b>(18)</b>				
23. Is the documentation created daily and does it include the following, at a minimum: <b>Verify by examination.</b>				
a) The ticket/voucher number? <b>(19a)</b>				
b) The date and time of the transaction? <b>(19b)</b>				
c) The type of wager? <b>(19c)</b>				
d) The horse identification or event identification? <b>(19d)</b>				
e) Amount of wagers (by ticket, writer/SAM, track/event, and total)? <b>(19e)</b>				
f) Amount of payouts (by ticket, writer/SAM, track/event, and total)? <b>(19f)</b>				
g) Tickets refunded (by ticket, writer, track/event, and total)? <b>(19g)</b>				
h) Unpaid winners/vouchers ("outs") (by ticket/voucher, track/event, and total)? <b>(19h)</b>				
i) Voucher sales/payments (by ticket, writer/SAM, and track/event)? <b>(19i)</b>				

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j) Voids (by ticket, writer, and total)? <b>(19j)</b>				
k) Future wagers (by ticket, date of event, total by day, and total at the time of revenue recognition)? <b>(19k)</b>				
l) Results (winners and payout data)? <b>(19l)</b>				
m) Breakage data (by race and track/event)? <b>(19m)</b>				
n) Commission data (by race and track/event)? <b>(19n)</b>				
o) Purged data (by ticket and total)? <b>(19o)</b>				
p) Wagering account activity (summary of each account's activity by transaction type and account balance)? <b>(19p)</b>				
24. Does the system generate the following reports:  <b>Testing of system reports is required. Select one of each report for 2 days. Test days must be in non-consecutive months. Indicate test dates selected and results of testing.</b>				
a) A daily reconciliation report that summarizes totals by track/event, including write, today's winning ticket total, total commission and breakage due the licensee, and net funds transferred to or from the licensee's bank account? <b>(20a)</b>				
b) An exception report that contains a listing of all system functions and overrides not involved in the actual writing or cashing of tickets, including sign-on/offers, voids, and manually input paid tickets? <b>(20b)</b>				
c) A purged ticket report that contains a listing of ticket numbers, description, ticket cost and value, and the date purged? <b>(20c)</b>				
<b><u>Accounting/Audit Standards</u></b>				
<b>Review of documentation evidencing the performance of pari-mutuel accounting/audit standards is required. Select the appropriate documentation to determine that all required procedures are being performed.</b>				

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25. Is the pari-mutuel audit conducted by someone independent of the race, sports, and pari-mutuel operations? <b>(21)</b>  <b>Note:</b> Such personnel may also perform the audit function for the outstation book of affiliated properties (and vice versa). <b>(21)</b>				
26. Is documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) maintained evidencing the performance of pari-mutuel audit procedures, the exceptions noted and follow-up of all pari-mutuel audit exceptions? <b>(22)</b> <b>Verify by examination.</b>				
27. Does an accounting/audit employee examine the daily reconciliation report, compare it to the revenue summary produced by the system and recalculate the net amount due to or from the systems operator? <b>(23)</b>				
28. Does an accounting/audit employee reconcile transfers with the bank statements on a monthly basis? <b>(23)</b>				
29. Do accounting/audit personnel verify daily cash turn-in by comparing actual cash turned in to cash turn in per the pari-mutuel reports? <b>(24)</b>  <b>Note:</b> Beginning balance, (+) fills (draws), (+) net write (sold less voids), (-) payouts (net of IRS withholding), (-) moneybacks (pays), (=) cash turn-in. <b>(24)</b>				
30. For one race/event per day, do accounting/audit personnel verify commissions per the daily reconciliation report by recalculating race/event commissions? <b>(25)</b>				
31. For the track associated with the race/event selected above, do accounting/audit personnel verify the daily transfers due to/from the systems operator by recalculating the deposits? <b>(26)</b>  <b>Note:</b> Net sales, (+) negative breakage, (-) commissions, (-) positive breakage, (-) accrual pays, (=) deposit. <b>(26)</b>				
32. Do accounting/audit personnel produce a gross revenue recap report to calculate gross revenue on a daily and month-to-date basis that includes the following totals:				
a) Commission? <b>(27a)</b>				
b) Positive breakage? <b>(27b)</b>				

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c) Negative breakage? <b>(27c)</b>				
d) Track/event fees? <b>(27d)</b>				
e) Track/event fee rebates? <b>(27e)</b>				
f) Purged tickets? <b>(27f)</b>				
33. Do accounting/audit personnel trace the track/event fees and track/event fee rebates to the invoices received from the systems operator? <b>(28)</b>				
34. At least weekly, are the following procedures performed:				
a) Are all winning tickets, vouchers, and cash removed from the SAM by at least two employees? <b>(29a)</b>				
b) Are SAM winning tickets and vouchers ultimately delivered to the accounting department and is the cash immediately delivered to an appropriate area of accountability? <b>(29b)</b>				
c) Are the winning tickets and vouchers deposited in each SAM reconciled to the totals of SAM activity produced by the system and are all variances investigated with the investigation results being documented and maintained? <b>(29c)</b>				
d) Is the actual cash turn in from each SAM reconciled to the amount reported by the system and are all variances investigated with the investigation results being documented and maintained? <b>(29d)</b>				
35. Do accounting/audit personnel perform the following procedures for each day, unless otherwise indicated:				
a) Review all exceptions for propriety of transactions and unusual occurrences? <b>(30a)</b>				
b) Review all voids for propriety? <b>(30b)</b>				
c) For one day per week, verify the results as produced by the system to the results provided by the wire service? <b>(30c)</b>				
d) For one day per week, regrade 1% of paid (cash) tickets to ensure accuracy and propriety? <b>(30d)</b>				

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e) When applicable, reconcile the daily total of future tickets written to the totals produced by the system for both unearned and earned take, and review the reports to ascertain that future wagers are properly included on the day of the event? <b>(30e)</b>				
f) For one day per week, review all wagers to determine whether any prohibited, nonpari-mutuel wagers were accepted? <b>(30f)</b>  <b>Note:</b> This audit procedure applies to "pari-mutuel only" books. <b>(30)</b>				
36. Monthly, do accounting/audit personnel reconcile gross revenue from the accounting records to the monthly NGC tax return? <b>(31)</b>				
37. Is the reconciliation mentioned in the previous question documented and retained with all variances being reviewed, documented and maintained? <b>(31)</b> <b>For one month review the reconciliation to verify the proper completion of the reconciliation and to determine that the variance amount is accurate. Indicate the month/year reviewed and the results of the review.</b>				
38. Quarterly, is an inventory of all sensitive pari-mutuel keys performed and reconciled to the records of keys made, issued and destroyed with an investigation being performed and documented for all keys not accounted for? <b>(32)</b>				
39. Annually, for one day, do accounting/audit personnel perform the following:				
a) Foot the wagers and trace to the total produced by the system? <b>(33a)</b>				
b) Foot the customer copy of paid tickets and trace to the total produced by the system? <b>(33b)</b>				
c) Foot cashed vouchers and trace to the total produced by the system? <b>(33c)</b>				
40. At least one day per quarter, do accounting/audit personnel recalculate and verify the change in the unpaid winners balance to the total purged tickets. <b>(34)</b>				

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<b><u>Written System of Internal Control</u></b>				
41. Has the licensee's written system of internal control for pari-mutuel been re-read prior to responding to the following question?				
42. Does the written system of internal control for pari-mutuel reflect the actual control procedures in effect for compliance with the MICS, variations from the minimum internal control standards approved pursuant to Regulation 6.090(8), and Regulation 14 associated equipment approvals? <b>[Regulation 6.090(13)]</b>				

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